



HOUSE BILL 1034: Volunteer Fire and Rescue Finances (PED)

2013-2014 General Assembly

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| Committee: | House Finance, if favorable, State Personnel, if favorable, Appropriations | Date: | May 20, 2014 |
| Introduced by: | Reps. Howard, Moffitt, Lucas | Prepared by: | Ryan Blackledge |
| Analysis of: | PCS to First Edition H1034-CSSV-42 | | Staff Attorney |

SUMMARY: *House Bill 1034 implements the recommendations of a four-part series of reports published by the Program Evaluation Division by making changes to safety workers' relief funds, compensation, and supplemental pension funds, as well as by making changes to grant funds for fire and rescue departments.*

The Proposed Committee Substitute does three things:

- It deletes language that would have allowed the State Fire and Rescue Commission to make special assessments on departments if a shortfall was projected in the workers' compensation fund before the Commission could raise annual rates.*
- It changes from January 1, 2015, to April 1, 2016, the date by which the Department of Insurance must begin conducting an annual actuarial study on the Workers' Compensation Fund.*
- It makes clear that if the Department contracts with the same actuary that the Volunteer Safety Workers' Compensation Board uses to perform its actuarial study, it may not pay the actuary for the same data and analysis that it has already performed for the Board.*

CURRENT LAW: Safety workers and their departments receive benefits that are supported (in whole or in part) by a portion of the revenue from gross premium taxes on property insurance and from vehicle inspection fees. Benefits vary and are paid from various funds:

1. Firefighters' relief funds (both local and statewide) and the Rescue Squad Workers' Relief Fund generally provide assistance to safety workers suffering from sickness or financial distress caused by their service. Relief funds are managed either by local boards or by a statewide organization.
2. The Safety Workers' Compensation Fund provides workers compensation through participating departments to volunteer firefighters and rescue squad workers.
3. The Firefighters' and Rescue Squad Workers' Pension Fund provides a supplemental pension payment of \$170 per month after paying \$10 per month for 20 years and retiring.
4. The Volunteer fire Department Fund and Volunteer Rescue/EMS Fund provide grants to help smaller departments to purchase equipment and supplies.

BILL ANALYSIS: **Section 1** of the bill amends existing statutes related to the local firefighters' relief funds, the statewide Firefighters' Relief Fund, and the Rescue Squad Workers' Relief Fund, as recommended by the Program Evaluation Division's Report Number 2013-06. In addition to several technical and conforming changes, Section 1, in amending Article 84 of Chapter 58 of the General Statutes and other statutes, does the following:

- Increases from 1% to 2% the portion of certain tax proceeds that the Department of Insurance retains for administering the local relief funds. The Department is given additional reporting requirements and must create a new database of relief fund expenditures.

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- Provides guidance on minimum and maximum local relief fund balances. Effective July 1, 2015, if a local relief fund exceeds the maximum, then that department's annual allocation will be reallocated to the departments throughout the State that do not exceed the maximum balance.
- Explicitly provides that local relief fund boards, the State Firemen's Association, and the N.C. Association of Rescue and Emergency Medical Services, Inc. are to act as prudent trustees of the relief funds.
- Provides line of duty death benefits to firefighters whose departments are not members of the North Carolina Firemen's Association.
- Adjusts the list of allowable expenditures for local firefighter relief funds found in G.S. 58-84-35.
- Requires additional reporting of local firefighter funds' expenditures from local boards.
- Repeals certain local laws inconsistent with expenditures allowed under and procedures provided under G.S. 58-84-35.

Section 2 of the bill makes changes to the volunteer firefighter and rescue worker workers' compensation statutes. Specifically, it does the following:

- Amends statutes to correspond to practice, by adding certain statewide associations to the list and removing the requirement that an "eligible unit" be a volunteer unit. (An eligible unit must still be non-municipal and non-profit.)
- Requires an annual actuarial study of the workers' compensation fund.
- Provides a detailed list of requirements for the State Fire and Rescue Commission when renewing its contract with the workers compensation third-party administrator.

Section 3 of the bill extends supplemental pension payments to all participants aged 55 and over who have paid \$10 per month for the required 20 years (the maximum contribution time), regardless of whether they have actually retired from firefighting or rescue squad work. This extension of payments is paid for by a reduction of funds going to the Volunteer Fire Department Fund.

Section 4 of the bill allows fire departments with less than \$50,000 of income to match Volunteer Fire Department Fund grants on a lower 25/75 match rate, rather than the current 50/50 match rate. Section 4 would also require (i) additional reporting from the Department of Insurance, (ii) that a department reimburse a fund if the department disposes of equipment purchased with grants, and (iii) that a dissolved department transfer all equipment purchased with grant funds to a successor department.

EFFECTIVE DATES: The majority of the bill draft becomes effective July 1, 2014. Section 2(e)'s requirements on a renewed or new workers compensation third-party administrator contract are effective when the bill becomes law. Section 2(c), which requires a detailed actuarial study on Workers' Compensation Fund, becomes effective April 1, 2016. Modifications in Section 4(a) to allow for 25/75 matching on grant funds become effective January 1, 2015. Provisions found in Section 4(d) on the reimbursement of grant funds and transfer of equipment become effective July 1, 2015; the Department of Insurance is to have specific rules in place by that date. Provisions in Sections 1(b) and 1(c) related to electronic funds transfers of local relief funds, maximum fund balance requirements for local relief funds, and the distribution of funds to local departments that have not exceeded the maximum fund balances for local relief funds all become effective July 1, 2015. Finally, there are various due dates for required reports.

BACKGROUND: The bill is based on the following four reports published by the Program Evaluation Division:

1. *Local Boards and Associations Administer Firefighters' and Rescue Squad Workers' Relief Funds with Limited State Oversight*, Report Number 2013-06 (November 2013)
2. *Revenue and Cost Trends Indicate Deficit in Volunteer Safety Workers' Compensation Fund in FY 2020–21*, Report Number 2014-01 (February 2014)
3. *Department of State Treasurer Should Strengthen Its Oversight of the Firefighters' and Rescue Squad Workers' Pension Fund*, Report Number 2014-03 (March 2014)
4. *Improved Oversight of Volunteer Fire Department Fund and Volunteer Rescue/EMS Fund Needed; \$8 Million Surplus Found*, Report Number 2014-06 (April 2014)